



DIRK KEMPTHORNE
GOVERNOR

January 10, 2005

Idaho State Legislature
State Capitol Building
PO Box 83720
Boise, Idaho 83720

Dear Legislator:

I am transmitting to you today the *Executive Budget* documents in accordance with 67-3506, *Idaho Code*. My budget proposal includes:

FY 2005 - The FY 2005 General Fund budget recommendation is \$2,114,605,000. In addition to the original appropriation and the HB 805 surplus eliminator appropriation to provide an additional 1% one-time salary increase, the budget contains:

- \$1,820,700 in reappropriations from FY 2004 unspent balances,
- \$4,400,000 for Fire Suppression Deficiency Warrant costs,
- \$400,900 for Pest Control and Emergency Response Deficiency Warrants,
- \$19,410,600 for supplemental costs in the Dept. of Health and Welfare,
- \$5,224,500 for supplemental costs in the Dept. of Correction,
- \$1,700,000 for supplemental costs in the Catastrophic Health Care Fund,
- \$993,100 for supplemental costs at the College and Universities,
- \$833,700 for supplemental costs in the Appellate Public Defender,
- \$143,300 for supplemental costs in several other departments, and
- -\$2,660,200 for negative supplementals in various departments,

FY 2006 - The FY 2006 General Fund budget recommendation is \$2,222,381,600. It incorporates the provision of HB 400 to sunset the temporary sales tax increase. Revenue includes:

- \$2,090,066,000 in revenue under existing law,
- \$117,332,200 in General Fund carryover from FY 2005,
- -\$800,000 in costs to comply with Internal Revenue Code changes,
- -\$800,000 impact of making the cigarette tax permanent and directing the additional \$20,000,000 generated to the Permanent Building Fund, and a
- \$21,194,100 transfer from the Economic Recovery Reserve Fund. These funds will be used for the twenty-seventh payroll and other one-time costs.
- This leaves a \$4.6 million unspent balance.

Change in Employee Compensation (CEC)

In accordance with 67-5309B(d), *Idaho Code*, I am also forwarding my own report for CEC. My recommendation for FY 2006 includes:

- Funding of \$6.7 million General Fund for benefit cost increases for health insurance and several other salary based benefits. It does not include \$6.2 million requested to increase the PERSI contribution rate.
- Funding of \$5.1 million General Fund for a 1% CEC for salary increase and related costs provided to state employees based upon performance,
- Guidance to agency directors to manage their Personnel Cost budget to ensure that salary increases are provided in a manner that best meets the needs of their agency within the resources provided to them,
- Funding of \$8.0 million General Fund for compensation to employees of public schools for distribution through discretionary allocations as individual districts may determine,
- One-time funding of \$15.3 million General Fund for the twenty-seventh payroll.

Additional details are provided to all legislative members and the public in my *Executive Budget* and related documents that are available at www.state.id.us/dfm. Print versions will be provided to legislative leadership and germane committees and to others upon request.

Very truly yours,

A handwritten signature in black ink, appearing to read "Dirk Kempthorne", with a long horizontal flourish extending to the right.

DIRK KEMPTHORNE
Governor

DK:bflsah